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## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by Hong Kong Society of Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2001, except as described below:

### (a) **SSAP 9 (revised): Events after the Balance Sheet Date**

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Accordingly, opening retained profits at 1st April, 2001 has increased by HK\$9,056,824 which is the reversal of the provision in respect of the proposed final dividend for the year ended 31st March, 2001. The adoption of the revised SSAP 9 has resulted in a decrease in current liabilities at 31st March, 2001 by HK\$9,056,824 as provision for proposed dividend is no longer required.

### (b) **SSAP 30: Business combinations**

In accordance with SSAP 30 “Business combinations”, the Group has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or joint venture, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary, associate or joint venture.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

## 2. TURNOVER AND CONTRIBUTION TO PROFIT FROM OPERATIONS

The Group is principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work. No business segment analysis is presented as the Directors consider that the Group has one single business segment.

No analysis of contribution to profit from operations by geographical market has been presented as more than 90% of the Group's activities were carried out in Hong Kong.

## 3. PROFIT FROM OPERATIONS

	<b>six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Depreciation and amortisation	<b>27,468</b>	26,335
<i>Less:</i> Amount attributable to contract work	<b>(25,648)</b>	(24,469)
	<b>1,820</b>	1,866

## 4. FINANCE COSTS

	<b>six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest payable	<b>23,430</b>	29,873
<i>Less:</i> Amount attributable to contract work	<b>(7,641)</b>	(9,430)
Amount attributable to property under development	<b>(13,479)</b>	(16,002)
	<b>2,310</b>	4,441

## 5. TAXATION

	<b>six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax	2,593	4,371
– Foreign Enterprise Income Tax in the People's Republic of China ("PRC")	78	837
	<u>2,671</u>	<u>5,208</u>
Deferred taxation		
– Hong Kong Profits Tax	60	(1,655)
	<u>2,731</u>	<u>3,553</u>
Share of taxation attributable to jointly controlled entities		
– Hong Kong Profits Tax	1,335	891
	<u>4,066</u>	<u>4,444</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the period.

Foreign Enterprise Income Tax in the PRC is calculated at the rates prevailing in the PRC.

## 6. PROPOSED INTERIM DIVIDEND

	<b>six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Proposed interim dividend of 0.5 cent (2000: 1 cent) per share	<u>3,623</u>	<u>7,245</u>

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$21,443,000 (2000: HK\$23,666,000) and on the weighted average number of 724,545,896 shares (2000: 732,831,483 shares) in issue during the period.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding warrants and share options as the exercise prices of those warrants and options were higher than the average market prices of the Company's shares in both periods.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$6.6 million (*six months ended 30th September, 2000: HK\$44 million*) on property, plant and equipment.

There was no major disposal of property, plant and equipment during the period.

## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

Interim applications for progress payments in construction contracts are normally on a monthly basis and settled within one month. The ageing analysis of trade debtors of HK\$226,261,000 (*at 31st March, 2001: HK\$296,018,000*), which are included in the Group's debtors, deposits and prepayments, are as follows:

	As at 30th September, 2001 HK\$'000	As at 31st March, 2001 HK\$'000
Not yet due	162,141	206,503
0 to 30 days	1,072	9,840
31 to 90 days	505	511
91 to 180 days	6,687	135
Over 180 days	55,856	79,029
	<u>226,261</u>	<u>296,018</u>

## 10. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$328,712,000 (*at 31st March, 2001: HK\$427,623,000*), which are included in the Group's creditors and accrued charges, are as follows:-

	As at 30th September, 2001 HK\$'000	As at 31st March, 2001 HK\$'000
Not yet due	184,760	231,903
0 to 30 days	75,599	93,398
31 to 90 days	8,322	19,931
91 to 180 days	2,911	1,899
Over 180 days	57,120	80,492
	<u>328,712</u>	<u>427,623</u>

## 11. SHARE CAPITAL

There were no movements in the share capital of the Company.

## 12. RESERVES

	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>At 1st April, 2001, as previously reported</b>	<b>242,571</b>	<b>(7,340)</b>	<b>8,301</b>	<b>677</b>	<b>265,733</b>	<b>509,942</b>
Prior year adjustment for 2000/2001 proposed final dividend not declared before year end	—	—	—	—	9,057	9,057
<b>At 1st April, 2001, as restated</b>	<b>242,571</b>	<b>(7,340)</b>	<b>8,301</b>	<b>677</b>	<b>274,790</b>	<b>518,999</b>
Profit attributable to shareholders for the period	—	—	—	—	21,443	21,443
2000/2001 proposed final dividend	—	—	—	—	(9,057)	(9,057)
<b>At 30th September, 2001</b>	<b><u>242,571</u></b>	<b><u>(7,340)</u></b>	<b><u>8,301</u></b>	<b><u>677</u></b>	<b><u>287,176</u></b>	<b><u>531,385</u></b>

## 13. CAPITAL COMMITMENTS

	As at 30th September, 2001 HK\$'000	As at 31st March, 2001 HK\$'000
Capital expenditure relating to property, plant and equipment contracted for but not provided in the financial statements	3,364	3,364
Capital expenditure relating to remaining balance of land premium of a property development contracted for but not provided in the financial statements	<u>186,300</u>	—
	<b><u>189,664</u></b>	<b><u>3,364</u></b>

In addition, at 30th September, 2001, the Group had outstanding capital contribution to a subsidiary and an associate amounting to HK\$7,073,071 (*at 31st March, 2001: HK\$8,015,489*) and HK\$Nil (*at 31st March, 2001: HK\$8,017,035*) respectively.

## 14. CONTINGENT LIABILITIES

	As at 30th September, 2001 HK\$'000	As at 31st March, 2001 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	383,752	455,432
– an associate	22,400	22,400
– jointly controlled entities	260,144	241,652
	<u>666,296</u>	<u>719,484</u>
Indemnities issued to financial institutions for land premium payment obligation in respect of a property development undertaken by:		
– a subsidiary	<u>186,300</u>	<u>—</u>
Extent of guarantees issued to financial institutions to secure credit facilities granted to:		
– an associate	60,000	60,000
– a jointly controlled entity	30,000	30,000
	<u>90,000</u>	<u>90,000</u>

*Note: At 30th September, 2001, the Group was one of the co-borrowers to a financial institution for credit facilities of HK\$220,000,000 (at 31st March, 2001: HK\$320,000,000) granted to a jointly controlled entity. During the period, the terms of the credit facilities were amended with the other venture partner providing the full amount of indemnity to the financial institution. The Group issued a counter-indemnity to the venture partner and was severally liable for the outstanding credit amount. The extent of such facilities utilised by the jointly controlled entity at 30th September, 2001 amounted to HK\$844,000 (at 31st March, 2001: HK\$98,390,000).*

## 15. PLEDGE OF ASSETS

- (a) At 30th September, 2001, the Group's leasehold properties in Hong Kong and plant and machinery with carrying values of approximately HK\$41,846,000 (at 31st March, 2001: HK\$42,473,000) and HK\$8,086,000 (at 31st March, 2001: HK\$8,742,000) respectively and the benefits under a construction contract have been pledged to the banks as securities for credit facilities granted to the Group.
- (b) At 30th September, 2001, the shares in an associate have been pledged to a bank as security and an amount of approximately HK\$77,851,000 (at 31st March, 2001: HK\$77,851,000) due from the associate has been subordinated in favour of the bank to secure credit facilities granted to the associate.
- (c) At 30th September, 2001, the Group's interest in the property under development in Hong Kong with carrying values of approximately HK\$1,058,274,000 (at 31st March, 2001: HK\$803,408,000) has been pledged to certain banks as security for a syndicated bank loan amounting to HK\$2,075,000,000 granted to a subsidiary.

## 16. RELATED PARTY TRANSACTIONS

	<i>Notes</i>	Associates		Jointly controlled entities	
		six months ended 30th September,		six months ended 30th September,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Transactions during the period:					
Contract revenue recognised	(a)	<u>—</u>	<u>9,280</u>	<u>61,649</u>	<u>111,096</u>
		As at 30th September, 2001 HK\$'000	As at 31st March, 2001 HK\$'000	As at 30th September, 2001 HK\$'000	As at 31st March, 2001 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties		<u>22,400</u>	<u>22,400</u>	<u>260,144</u>	<u>241,652</u>
Extent of guarantees issued to financial institutions to secure credit facilities granted to related parties		<u>60,000</u>	<u>60,000</u>	<u>30,000</u>	<u>30,000</u>
Amounts due from related parties:					
Due from associates	(b)	<u>83,155</u>	83,155	—	—
Trade balances shown under current assets	(c)	<u>9,513</u>	<u>9,524</u>	<u>38,732</u>	<u>90,553</u>
		<u>92,668</u>	<u>92,679</u>	<u>38,732</u>	<u>90,553</u>
Amounts due to related parties:					
Trade balances shown under current liabilities	(c)	<u>—</u>	<u>—</u>	<u>10,074</u>	<u>8,887</u>

In addition to the above, the Group acts as one of the co-borrowers to a financial institution for credit facilities of HK\$220,000,000 granted to a jointly controlled entity as detailed in note 14.

### Notes:

- The pricing policy of contracts with related parties is consistent with the pricing of contracts with third parties.
- The amount is unsecured, interest free and will not be repayable within the next twelve months.
- The amounts are unsecured, interest free and are repayable on demand.

## 17. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to changes in presentation and accounting policies for goodwill/negative goodwill and proposed dividend in order to comply with SSAPs 30 and 9 respectively, details of which are set out in note 1.